

## ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

12 / 31 / 15

PROVIDER(S): CoreCare III

RECEIVED  
APR 29 2016

CCRC(S): Morningside of Fullerton

CONTINUING CARE  
CONTRACTS BRANCH

CONTACT PERSON: Gary Stork

TELEPHONE NO.: ( 714 ) 256-8001

EMAIL: StorkG@msretirement.com

A complete annual report must consist of 3 copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 19,688.00
  - ☐ If applicable, late fee in the amount of: \$ \_\_\_\_\_
- ☒ Certification by the provider's **Chief Executive Officer** that:
  - ☒ The reports are correct to the best of his/her knowledge.
  - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☒ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☐ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- ☐ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

**FORM 1-1**  
**RESIDENT POPULATION**

<b>Line</b>	<b>Continuing Care Residents</b>	<b>TOTAL</b>
[1]	Number at beginning of fiscal year	470
[2]	Number at end of fiscal year	466
[3]	Total Lines 1 and 2	936
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	468
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	470
[7]	Number at end of fiscal year	466
[8]	Total Lines 6 and 7	936
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	468
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<b>Line</b>		<b>TOTAL</b>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$21,625,932
[a]	Depreciation	\$1,938,198
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$1,938,198
[3]	Subtract Line 2 from Line 1 and enter result.	\$19,687,734
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$19,687,734
		x .001
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	\$19,688

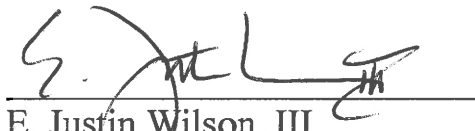
PROVIDER CoreCare III	6	
COMMUNITY Morningside of Fullerton		



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CONTINUING CARE  
CONTRACTS BRANCH

Statement of Chief Executive Officer  
California Department of Social Services Annual Report  
CoreCare III dba Morningside of Fullerton

The undersigned does attest the 2015 Annual Report is correct; the contract in use for new residents has been approved by the Department, and liquid reserves are maintained pursuant to requirements of the California Health and Safety Code.

  
E. Justin Wilson, III  
President

3/28/16  
Date

ACORD™

## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

08/14/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER <b>Propel Insurance</b> <b>Tacoma Commercial Insurance</b> <b>1201 Pacific Ave, Suite 1000</b> <b>Tacoma, WA 98402</b>	CONTACT NAME: <b>Shannon Wang</b>	
	PHONE (A/C, No, Ext): <b>800 499-0933</b>	FAX (A/C, No): <b>866.577.1326</b>
INSURED <b>Continuing Life LLC</b> <b>1940 Levante Street</b> <b>Carlsbad, CA 92009</b>	E-MAIL ADDRESS: <b>Shannon.Wang@propelinsurance.com</b>	
	INSURER(S) AFFORDING COVERAGE	
	INSURER A: <b>Columbia Casualty Company</b>	NAIC #: <b>31127</b>
	INSURER B: <b>Church Mutual Insurance Company</b>	<b>18767</b>
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

## COVERAGES

## CERTIFICATE NUMBER:

## REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC		5087056186	06/30/2015	06/30/2016	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$3,000,000 PRODUCTS - COMP/OP AGG \$included \$
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> Comp 1,000 <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input checked="" type="checkbox"/> Coll \$1,000		031623809783338	06/30/2015	06/30/2016	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$10000		5087056172	06/30/2015	06/30/2016	EACH OCCURRENCE \$10,000,000 AGGREGATE \$10,000,000 \$ WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				
A	Professional Liability		5087056186	06/30/2015	06/30/2016	\$1,000,000 Occurrence \$3,000,000 Aggregate

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

RE: Continuing Life LLC

1940 Levante Street, Carlsbad, CA 92009

(See Attached Descriptions)

## CERTIFICATE HOLDER

## CANCELLATION

California Department of Social Services

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE



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***CORECARE III***

***dba MORNINGSIDE OF FULLERTON***

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**WITH INDEPENDENT AUDITORS' REPORT**

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
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**DECEMBER 31, 2015 AND 2014**

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**INDEPENDENT AUDITORS' REPORT**

To the Partners of  
CoreCare III  
dba Morningside of Fullerton  
Fullerton, California

We have audited the accompanying financial statements of CoreCare III, dba Morningside of Fullerton (a California limited partnership) (the "Partnership") which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, comprehensive income, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CoreCare III, dba Morningside of Fullerton as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*White Nelson Shield Evans LLP*  
Irvine, California  
April 12, 2016



**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 6,600,895	\$ 9,196,650
Marketable securities	6,125,384	5,502,250
Accounts receivable	108,568	68,935
Inventories	34,654	34,141
Prepaid expenses	221,516	189,726
Interest receivable	3,616	4,254
Other receivables	<u>87,995</u>	<u>18,144</u>
Total Current Assets	13,182,628	15,014,100
Property and Equipment:		
Land	7,642,717	7,642,717
Land improvements	3,919,095	3,850,322
Buildings and improvements	59,197,818	58,530,990
Furniture, fixtures and equipment	3,985,546	4,093,833
Computer equipment and systems	922,644	922,644
Construction in progress	<u>300,845</u>	<u>251,899</u>
Total Property and Equipment, at Cost	75,968,665	75,292,405
Less: Accumulated Depreciation	<u>(37,991,126)</u>	<u>(36,399,798)</u>
Property and Equipment, at Net Book Value	37,977,539	38,892,607
Deferred Entrance Fees Receivable	<u>20,922,240</u>	<u>19,092,702</u>
Total Assets	<u>\$ 72,082,407</u>	<u>\$ 72,999,409</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2015 AND 2014**

**LIABILITIES AND PARTNERS' EQUITY (DEFICIT)**

	<u>2015</u>	<u>2014</u>
Current Liabilities:		
Accounts payable	\$ 286,080	\$ 622,171
Accrued expenses	475,548	627,039
Deposits on future occupancy	618,800	588,000
Current portion of note payable to Master Trust	<u>3,636,938</u>	<u>3,546,833</u>
Total Current Liabilities	5,017,366	5,384,043
Long-Term Liabilities:		
Note payable to Master Trust, net of current portion	141,708,023	137,793,463
Deferred revenue from unamortized deferred entrance fees, net	<u>19,414,227</u>	<u>17,968,785</u>
Total Long-Term Liabilities	<u>161,122,250</u>	<u>155,762,248</u>
Total Liabilities	166,139,616	161,146,291
Partners' Equity (Deficit):		
Partners' equity (deficit)	(95,253,701)	(89,376,673)
Accumulated other comprehensive income	<u>1,196,492</u>	<u>1,229,791</u>
Total Partners' Equity (Deficit)	<u>(94,057,209)</u>	<u>(88,146,882)</u>
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 72,082,407</u>	<u>\$ 72,999,409</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Revenues:		
Resident services	\$ 21,167,810	\$ 20,467,331
Amortization of deferred entrance fees	3,713,209	3,643,340
Deferred entrance fees on terminated contracts	955,391	1,041,181
Non-resident services	<u>184,840</u>	<u>191,284</u>
Total Revenues	<u>26,021,250</u>	<u>25,343,136</u>
Operating Expenses:		
Resident care	7,056,604	6,486,545
Food and beverage services	3,047,061	3,096,212
Environmental services	887,073	905,826
Plant facility operating costs	4,073,919	4,076,993
General and administrative expenses	4,609,572	4,604,032
Depreciation	1,938,198	1,832,816
Loss on disposal of property and equipment	<u>13,505</u>	<u>25,670</u>
Total Operating Expenses	<u>21,625,932</u>	<u>21,028,094</u>
Income from Operations	4,395,318	4,315,042
Other Income:		
Net realized gain on sale of marketable securities	70,945	21,417
Interest and dividend income	155,809	124,108
Other income	<u>900</u>	<u>1,050</u>
Total Other Income	<u>227,654</u>	<u>146,575</u>
Net Income	<u>\$ 4,622,972</u>	<u>\$ 4,461,617</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Net Income	\$ 4,622,972	\$ 4,461,617
Other Comprehensive Income (Loss):		
Net unrealized holding gains arising during the year	47,657	583,529
Amounts reclassified from accumulated other comprehensive income	<u>(80,956)</u>	<u>(64,709)</u>
Total Other Comprehensive Income (Loss)	<u>(33,299)</u>	<u>518,820</u>
Comprehensive Income	<u>\$ 4,589,673</u>	<u>\$ 4,980,437</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	General Partner	Limited Partner	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2013	\$ (55,073,119)	\$ (27,765,171)	\$ 710,971	\$ (82,127,319)
Distributions	(6,600,000)	(4,400,000)	-	(11,000,000)
Net unrealized holding gains arising during the year	-	-	583,529	583,529
Amounts reclassified from accumulated other comprehensive income	-	-	(64,709)	(64,709)
Net income	<u>2,676,970</u>	<u>1,784,647</u>	<u>-</u>	<u>4,461,617</u>
Balance at December 31, 2014	(58,996,149)	(30,380,524)	1,229,791	(88,146,882)
Distributions	(6,300,000)	(4,200,000)	-	(10,500,000)
Net unrealized holding gains arising during the year	-	-	47,657	47,657
Amounts reclassified from accumulated other comprehensive income	-	-	(80,956)	(80,956)
Net income	<u>2,773,783</u>	<u>1,849,189</u>	<u>-</u>	<u>4,622,972</u>
Balance at December 31, 2015	<u>\$ (62,522,366)</u>	<u>\$ (32,731,335)</u>	<u>\$ 1,196,492</u>	<u>\$ (94,057,209)</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from residents	\$ 25,374,268	\$ 24,498,438
Interest and dividend income	155,809	124,108
Other income	900	1,050
Cash received from community services	-	33,615
Reimbursements for services to non-residents	184,840	191,284
Cash paid to suppliers and employees	<u>(20,194,114)</u>	<u>(18,890,297)</u>
Net Cash Provided by Operating Activities	5,521,703	5,958,198
Cash Flows from Investing Activities:		
Payments made on purchases of property and equipment	(1,036,635)	(2,478,153)
Purchases of marketable securities	(1,468,227)	(1,212,544)
Proceeds from redemption of marketable securities	<u>882,739</u>	<u>609,519</u>
Net Cash Used in Investing Activities	(1,622,123)	(3,081,178)
Cash Flows from Financing Activities:		
Proceeds from note payable to Master Trust	21,373,979	19,612,406
Payments on note payable to Master Trust	(17,369,314)	(12,772,589)
Distributions to partners	<u>(10,500,000)</u>	<u>(11,000,000)</u>
Net Cash Used in Financing Activities	<u>(6,495,335)</u>	<u>(4,160,183)</u>
Net Decrease in Cash and Cash Equivalents	(2,595,755)	(1,283,163)
Cash and Cash Equivalents, Beginning of Year	<u>9,196,650</u>	<u>10,479,813</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,600,895</u></u>	<u><u>\$ 9,196,650</u></u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities:		
Net Income	\$ 4,622,972	\$ 4,461,617
Non-cash Items Included in Net Income:		
Depreciation	1,938,198	1,832,816
Amortization of deferred entrance fees	(3,713,209)	(3,643,340)
Deferred entrance fees on terminated contracts	(955,391)	(1,041,181)
Loss on disposal of property and equipment	13,505	25,670
Net realized gain on sale of marketable securities	(70,945)	(21,417)
Changes in:		
Accounts receivable	(39,633)	35,956
Inventories	(513)	(3,293)
Prepaid expenses	(31,790)	(1,320)
Interest receivable	638	(76)
Other receivables	(69,851)	35,914
Deferred entrance fees receivable	4,284,504	3,910,128
Accounts payable	(336,091)	182,665
Accrued expenses	(151,491)	101,259
Deposits on future occupancy	<u>30,800</u>	<u>82,800</u>
Net Cash Provided by Operating Activities	<u>\$ 5,521,703</u>	<u>\$ 5,958,198</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Deferred entrance fees receivable and deferred revenue		
from unamortized deferred entrance fees recorded to		
reflect additional amounts due from resident contributions	<u>\$ 6,095,436</u>	<u>\$ 6,485,065</u>

The accompanying notes are an integral part of these financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 1: Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business**

CoreCare III, dba Morningside of Fullerton (the “Partnership”) owns and operates a multi-use continuing care retirement community.

Profits and losses for financial statement purposes, distributable cash from operations and profits and losses for tax purposes are allocated and distributed to the partners in accordance with the Partnership Agreement. The Agreement also provides for priority distributions, plus an allowance for interest.

**Basis of Presentation**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative U.S. GAAP.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash account of the Partnership, money market accounts, time deposits, certificates of deposit, and all highly-liquid debt instruments with maturities of three months or less.

**Marketable Securities**

Marketable securities held by the Partnership at December 31, 2015 and 2014, are classified in accordance with ASC 320-10, “*Investments - Debt and Equity Securities*”, as available-for-sale and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities are reported as a separate component of partners’ equity (deficit) and as a separate component of other comprehensive income.

**Accounts Receivable**

Accounts receivable consist of amounts due from residents for monthly service fees and other ancillary services. These services and fees are primarily due upon receipt of invoice. Receivables are reviewed weekly and are considered past due 14 days after issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent and customary collection efforts are initiated. Uncollectible accounts are written-off at the advice of a collection attorney and with the approval of ownership.



**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable (Continued)**

The Partnership provides an allowance for doubtful accounts, as needed based on historical losses, for accounts deemed uncollectible. No allowance was necessary at December 31, 2015 and 2014.

**Inventories**

Inventories consist of food and supplies used in the operations and are stated at the lower of cost or market on a first-in, first-out basis.

**Property and Equipment**

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over the estimated useful lives of the respective assets. Depreciation for property and equipment is computed on the straight-line method for book purposes.

The estimated useful lives of the related assets are as follows:

Land improvements	15-20 years
Buildings and improvements	10-40 years
Furniture, fixtures and equipment	5-10 years
Computer equipment and systems	3-5 years

Depreciation expense for the years ended December 31, 2015 and 2014, totaled \$1,938,198 and \$1,832,816, respectively. At December 31, 2015 and 2014, fully depreciated property and equipment still in use totaled \$5,308,952 and \$5,459,116, respectively.

**Long-Lived Assets**

The Partnership accounts for impairment and disposition of long-lived assets in accordance with ASC 360-10, "*Property, Plant, and Equipment*". ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the years ended December 31, 2015 and 2014.

**Deposits on Future Occupancy**

Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition**

Revenue from resident and non-resident services is accounted for on the accrual basis of accounting as earned. See Note 7 for a description of the revenue recognition policy of deferred entrance fees.

**Revenue and Expenses**

In accordance with the Residence and Care Agreement, future monthly fees due from residents for maintenance and operating expenses may be adjusted with appropriate notice as specified in the individual agreements.

**Income Taxes**

The Partnership is not taxed on its income. Taxable income or loss is reportable by each of the partners.

**Advertising and Promotional Costs**

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2015 and 2014, advertising and promotional costs totaled \$994,277 and \$1,053,149, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

**Comprehensive Income**

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The Partnership has presented separate statements of comprehensive income. An analysis of changes in components of accumulated other comprehensive income is presented in the statements of changes in partners' equity (deficit).

**Use of Estimates**

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**New Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (“ASU” or “Update”) 2014-09, *“Revenue from Contracts with Customers (Topic 606)”*. As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.

The ASU core principal is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, *“Revenue from Contracts with Customers (ASC 606): Deferral of the Effective Date”*, as an update for entities to apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Partnership is currently evaluating the impact of the provisions of ASU 2014-09 and ASU 2015-14 on the presentation of its financial statements.

In January 2016, the FASB issued ASU 2016-01, *“Financial Instruments - Overall (Subtopic 825-10)”*. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments also require enhanced disclosures about those investments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018. The Partnership is currently evaluating the impact of the provisions of ASU 2016-01 on the presentation of its financial statements.

**Note 2: Concentrations, Risks and Uncertainties**

The Partnership maintains cash balances with one financial institution. At December 31, 2015 and 2014, accounts at the institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000.

At December 31, 2015 and 2014, the Partnership also maintains its money market funds and investments in equity securities at brokerage firms which are not FDIC insured. The firms are insured by Securities Investor Protection Corporation (“SIPC”) up to \$500,000.

**Note 3: Marketable Securities**

At December 31, 2015 and 2014, the Partnership’s investments consist primarily of publicly traded equity securities categorized as available-for-sale securities and are stated at fair market value.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 3: Marketable Securities (Continued)**

At December 31, 2015, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 4,928,892	\$ 6,125,384	\$ 1,276,576	\$ 80,084
Total Marketable Securities	<u>\$ 4,928,892</u>	<u>\$ 6,125,384</u>	<u>\$ 1,276,576</u>	<u>\$ 80,084</u>

At December 31, 2015, the allowance for unrealized gains and losses has been recorded as a separate component of partners' equity (deficit) under accumulated other comprehensive income. At December 31, 2015, the aggregate market value of marketable securities exceeds their aggregate cost by \$1,196,492. Other comprehensive income for the year ended December 31, 2015 includes net unrealized holding gains arising during the year of \$47,657, and amounts reclassified from accumulated other comprehensive income totaling \$80,956. The amounts reclassified from accumulated comprehensive income totaling \$80,956 affect the net realized gain on sale of marketable securities on the accompanying statements of operations.

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2015, resulted in proceeds of \$882,739, gross realized gains of \$145,273 and gross realized losses of \$74,328.

At December 31, 2014, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 4,272,459	\$ 5,502,250	\$ 1,259,121	\$ 29,330
Total Marketable Securities	<u>\$ 4,272,459</u>	<u>\$ 5,502,250</u>	<u>\$ 1,259,121</u>	<u>\$ 29,330</u>

At December 31, 2014, the allowance for unrealized gains and losses has been recorded as a separate component of partners' equity (deficit) under accumulated other comprehensive income. At December 31, 2014, the aggregate market value of marketable securities exceeds their aggregate cost by \$1,229,791. Other comprehensive income for the year ended December 31, 2014 includes net unrealized holding gains arising during the year of \$583,529, and amounts reclassified from accumulated other comprehensive income totaling \$64,709. The amounts reclassified from accumulated comprehensive income totaling \$64,709 affect the net realized gain on sale of marketable securities on the accompanying statements of operations.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 3: Marketable Securities (Continued)**

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2014, resulted in proceeds of \$609,519, gross realized gains of \$36,314 and gross realized losses of \$14,897.

**Note 4: Residence and Care Agreement**

Each new resident enters into a contract with the Partnership called the Residence and Care Agreement. The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. The provisions of the agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust (see Note 5), and methods of cancellation and refunds or contingent repayments subject to resale of the units.

Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust pursuant to the Residence and Care Agreement (the "Residence Agreement").

Under the Residence Agreement, the contribution received will be repayable under the following terms and conditions:

- (1) Cancellation During The Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Partnership or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law which states that the Partnership may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.
- (2) Cancellation After 90 Days - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Partnership 90 days written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Partnership may cancel the agreement at any time after the trial residence period for good cause, upon 90 days written notice to the resident. Examples of good cause are defined in the Residence Agreement.

Upon termination of the Residence Agreement, the resident or his or her estate will be entitled to a repayment of the contribution less a predetermined percentage and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 5: Note Payable to Master Trust and Trust Agreement**

The Morningside of Fullerton Master Trust was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Partnership. New residents join in and become grantors under the trust agreement. At December 31, 2015 and 2014, the balance outstanding on the Master Trust note payable was \$145,344,961 and \$141,340,296, respectively.

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 4). The trustee of the Master Trust is directed to invest virtually all of the funds in the form of an interest-free loan to the Partnership.

The loan which currently may not exceed \$205,000,000 is secured by the following:

- (1) A first priority deed of trust on the Partnership's real property and improvements thereon.
- (2) Security agreement creating a first security interest in the Partnership's current and hereafter acquired equity in all of the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.
- (3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of Morningside of Fullerton.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Repayments of principal will be made in annual amounts for a period of forty years with final payment due December 31, 2050. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by forty years. The next scheduled principal payment of \$3,636,938 was paid in January 2016.

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

2016	\$ 3,636,938
2017	3,542,701
2018	3,454,133
2019	3,367,780
2020	3,283,585
Thereafter	<u>128,059,824</u>
Total	<u>\$ 145,344,961</u>

**CORECARE III  
dba MORNINGSIDE OF FULLERTON  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Note 5: Note Payable to Master Trust and Trust Agreement (Continued)**

In addition to the annual principal payment, the Partnership provides the Master Trust temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Partnership upon subsequent sale of a unit or when the Master Trust has excess liquidity.

**Note 6: Commitments and Contingencies**

**Obligation to Provide Future Services**

The Partnership annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded.

Using a discount rate at December 31, 2015 and 2014, of 2.70 and 5.75 percent, respectively, the anticipated revenues are estimated to exceed the cost of future services by \$35,396,053 and \$53,016,287 for the years ended December 31, 2015 and 2014, respectively. Therefore, no liability was accrued.

**Reservations and Designations**

At December 31, 2015 and 2014, the Partnership maintains cash reserves in the amount of \$4,007,444 and \$3,898,023, respectively, for operating expense contingencies in accordance with requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities on the accompanying balance sheets.

**Litigation**

The Partnership experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 7: Deferred Revenue from Unamortized Deferred Entrance Fees**

At December 31, 2015 and 2014, deferred revenue from unamortized deferred entrance fees consists of the following:

	<u>2015</u>	<u>2014</u>
Deferred entrance fees before repayment	\$ 41,391,371	\$ 38,607,969
Less: Accumulated amortization of deferred entrance fees	<u>(21,977,144)</u>	<u>(20,639,184)</u>
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	<u>\$ 19,414,227</u>	<u>\$ 17,968,785</u>

The deferred entrance fees are amortized to income using the straight-line method over future periods based on the estimated life of the resident in accordance with ASC 954-430, "*Health Care Entities - Deferred Revenue*". The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit. During 2015 and 2014, the deferred entrance fees amortized into income were \$3,713,209 and \$3,643,340, respectively, based on total deferred entrance fees of \$52,970,848 and \$51,756,385, respectively.

**Note 8: Related Party Transactions**

At December 31, 2015 and 2014, the Partnership has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, benefit and insurance administration, among others. The service agreement calls for annual service fees payable in equal monthly installments, and the agreement renews annually unless cancelled. For the years ended December 31, 2015 and 2014, service fees paid under this agreement totaled \$230,580 and \$247,000, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2015 and 2014, the additional fees paid under this agreement totaled \$75,217 and \$100,616, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2015 and 2014 totaled \$249,849 and \$364,676, respectively.

During the years ended December 31, 2015 and 2014, the Partnership paid \$450,000 annually to the general partner for consulting services rendered and administrative expenses incurred to carry out its responsibilities. These expenses are included in the general and administrative expenses in the accompanying statements of operations.



**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 8: Related Party Transactions (Continued)**

The Partnership has entered into a ground lease agreement with CoreCare V which continues through December 2090. The premises covered by this agreement are the land on which CoreCare V is located. Any failure by CoreCare V to perform under the ground lease agreement or the agreement for purchased health care would permit the Partnership to take ownership of CoreCare V's buildings and equipment and cancel the ground lease.

The health care costs paid to CoreCare V during the years ended December 31, 2015 and 2014, were \$6,191,742 and \$5,601,626, respectively, and are included in resident care expenses in the accompanying statements of operations.

**Note 9: Employee Benefit Plan**

The Partnership sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 80 percent of their yearly compensation, up to the maximum prescribed by law. Effective January 1, 2014, the Partnership will make a safe harbor matching contribution equal to 100 percent of the first 3 percent of the participant's compensation and 50 percent of the next 2 percent of the participant's compensation which is deferred as an elective deferral. For the years ended December 31, 2015 and 2014, employer contributions to the Plan totaled \$95,278 and \$70,554, respectively, which have been included in general and administrative expenses in the accompanying statements of operations.

**Note 10: Fair Value Measurements**

The Partnership accounts for marketable securities in accordance with ASC 820, "*Fair Value Measurements and Disclosures*". ASC 820-10 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurement. ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**CORECARE III**  
**dba MORNINGSIDE OF FULLERTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**Note 10: Fair Value Measurements (Continued)**

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Partnership's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2015 is determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 2,411,825	\$ -	\$ -
Large Growth	468,304	-	-
Large Core	<u>3,245,255</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 6,125,384</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2014 was determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 1,938,365	\$ -	\$ -
Large Growth	469,728	-	-
Large Core	<u>3,094,157</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 5,502,250</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 11: Subsequent Events**

Events occurring after December 31, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of April 12, 2016, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

## SUPPLEMENTARY INFORMATION

WHITE NELSON DIEHL EVANS LLP  
Certified Public Accountants & Consultants

RECEIVED  
APR 29 2016  
CONTINUING CARE  
CONTRACTS BRANCH

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Partners of  
CoreCare III  
dba Morningside of Fullerton  
Fullerton, California

We have audited the financial statements of CoreCare III, dba Morningside of Fullerton (the "Partnership") as of and for the years ended December 31, 2015 and 2014, and our report thereon dated April 12, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying schedules of Form 5-1 through Form 5-5 and Form 7-1 has been prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Partnership at December 31, 2015, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the partners and management of the Partnership and for filing with the California Department of Social Services and should not be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

*White Nelson Diehl Evans LLP*

Irvine, California  
April 12, 2016

**FORM 5-1**  
**LONG-TERM DEBT INCURRED**  
**IN A PRIOR FISCAL YEAR**  
**(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>			\$0	\$0	\$0

(Transfer this amount to  
Form 5-3, Line 1)

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

\*Pursuant to the attached waiver, the note payable to Master Trust has not been included in the annual calculation of the debt service reserve.

**PROVIDER:** CoreCare III

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, MS 10-90, Sacramento, California 95814



July 30, 2003

Mr. E. Justin Wilson III  
Executive Vice President  
CoreCare III  
800 Morningside Drive  
Fullerton, California 92835

Re: Waiver Request under H&S Code Section 1792.3(c)

Dear Mr. Wilson:

The Department of Social Services has reviewed your request that it waive the long term debt reserve requirement as it applies to the debt held by the Morningside of Fullerton Master Trust (the "Trust"). Your request on behalf of CoreCare III is made on the basis of the provisions in Health & Safety Code section 1792.3(c).

Based on our review of your request and the information in our files, the Department has granted your request. As a result, CoreCare III need not include the debt owed to the Trust in the annual calculation of its debt service reserve. This waiver remains effective until the Department, in its discretion, determines that it is terminated. Please include a copy of this letter with CoreCare III's future annual reserve reports.

If you have any questions, please contact me at (916) 657-2592.

Respectfully,

A handwritten signature in black ink that reads 'Ben Partington'.

Ben Partington, Chief  
Continuing Care Contracts Branch  
Department of Social Services

C: Robert W. Thompson, Legal Counsel

**FORM 5-2**  
**LONG-TERM DEBT INCURRED**  
**DURING FISCAL YEAR**  
**(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

*(Transfer this amount to  
Form 5-3, Line 2)*

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

**PROVIDER:** CoreCare III

**FORM 5-3**

**CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

<b>Line</b>		<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$0</b>

**PROVIDER:** CoreCare III



**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$21,625,932
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)		
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$1,938,198	
	d. Amortization		
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$184,840	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		\$2,123,038
4	Net Operating Expenses		\$19,502,894
5	Divide Line 4 by 365 and enter the result.		\$53,433
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$4,007,444

**PROVIDER:** CoreCare III

**COMMUNITY:** Morningside of Fullerton

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**  
**Supporting Explanation for Line 2e**

Line 2e is made up of the following lines from the audited statement of cash flows:

Reimbursements for services to non-residents	<u>\$ 184,840</u>
--	-------------------

Revenues received during the fiscal year for services to residents who did not have a continuing care contract	<u><u>\$ 184,840</u></u>
---	--------------------------

Categories included in the above revenues:

\$ 74,087	Guest Meals
66,804	Catering
11,314	Processing Fees
<u>32,635</u>	<u>Guest Room</u>
<u><u>\$ 184,840</u></u>	

<b>PROVIDER:</b>	<u>CoreCare III</u>
<b>COMMUNITY:</b>	<u>Morningside of Fullerton</u>

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION**

Provider Name: CoreCare III

Fiscal Year Ended: 12/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 31-Dec-15 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 31-Dec-15 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$0
[2] Operating Expense Reserve Amount	\$4,007,444
[3] Total Liquid Reserve Amount:	\$4,007,444

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		\$6,600,895
[5] Investment Securities		\$6,125,384
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	\$0 [12]	\$12,726,279
<b>Reserve Obligation Amount: [13]</b>	\$0 [14]	\$4,007,444
<b>Surplus/(Deficiency): [15]</b>	\$0 [16]	\$8,718,835

Signature:

  
(Authorized Representative)

Date: 3/22/2016

President

(Title)

**FORM 5-5**  
**Description of Reserves under SB 1212**

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$ 6,600,895
Investment Securities	\$ 6,125,384
Total Qualifying Assets as Filed:	\$ 12,726,279

**Reservations and Designations:**

Reserved for Operating Expenses	\$ 4,007,444
Total Reservations and Designations:	\$ -
Remaining Liquid Reserves	\$ 8,718,835

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**Per Capita Cost of Operations**

Operating Expenses (Form 5-4 line # 1)	\$ 21,625,932
Mean # of CCRC Residents (Form 1-1 line 10)	468.0
Per Capita Cost of Operations	\$ 46,209

<b>PROVIDER:</b>	<u>Core Care III</u>
<b>COMMUNITY:</b>	<u>Morningside of Fullerton</u>

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,699 – \$5,699</u>	<u>N/A</u>	<u>N/A</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.6%</u>	<u>N/A</u>	<u>N/A</u>

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: January 1, 2015  
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** CoreCare III  
**COMMUNITY:** Morningside of Fullerton

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**  
**Supporting Explanation for Line 5**

The first person and second person monthly fees increased 3.6% effective 1-1-2015. Morningside (CoreCare III) purchases health care, when needed, from Park Vista (CoreCare V). As the permanently assigned residents continue to pay their usual independent living monthly service fee to Morningside, the percentage of increase and revenues are combined in the residential living column.

The service fee increases were based on projected increases in the operating expenses, which include the expected increase in use of purchased health care by the residents. The percentage of monthly service increases is determined through the annual budget process.

**PROVIDER:** CoreCare III  
**COMMUNITY:** Morningside of Fullerton

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: 04/05/16

FACILITY NAME: Morningside of Fullerton

ADDRESS: 800 Morningside Drive, Fullerton, CA

ZIP CODE: 92835

PHONE: 714-256-8000

PROVIDER NAME: CoreCare III

FACILITY OPERATOR: CoreCare III

RELATED FACILITIES: ParkVista

RELIGIOUS AFFILIATION: N/A

YEAR # OF ☒ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 0.1

OPENED: 1991 ACRES: 19 STORY STORY ☐ OTHER: \_\_\_\_\_

MILES TO HOSPITAL: 1.5

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

APARTMENTS — STUDIO: 5

APARTMENTS — 1 BDRM: 116

APARTMENTS — 2 BDRM: 138/11

COTTAGES/HOUSES: 57

RLU OCCUPANCY (%) AT YEAR END: 96.02%

**HEALTH CARE**

ASSISTED LIVING: \_\_\_\_\_

SKILLED NURSING: \_\_\_\_\_

SPECIAL CARE: \_\_\_\_\_

DESCRIPTION: > \_\_\_\_\_

> \_\_\_\_\_

**TYPE OF OWNERSHIP:**

☐ NOT-FOR-PROFIT

☒ FOR-PROFIT

ACCREDITED?: ☐ YES ☒ NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☐ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☒ 75% ☒ 50% ☒ FULLY AMORTIZED ☒ OTHER: 25%

RANGE OF ENTRANCE FEES: \$ 181,000 - \$ 1,050,000

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:**

Assisted Living and Skilled Nursing Facilities

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: N/A

OTHER: N/A

**RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement):**

> Two resident representatives from the Resident Council are involved in

> bi-weekly management meeting to serve as (a) the liaison between the Resident Council and management and (b) to provide input and suggestions to management and ownership from the resident perspective.

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>2</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>1</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Morningside of Fullerton

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

None

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

None

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

None

**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

None

**NOTE:** PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.



PROVIDER NAME: Morningside of Fullerton

	2012	2013	2014	2015
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(Excluding amortization of entrance fee income)	17,944,231	19,233,821	20,659,665	21,353,550
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	16,357,922	17,835,091	18,665,284	19,207,144
<b>NET INCOME FROM OPERATIONS</b>	1,586,309	1,388,730	1,994,381	2,146,406
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	(541,576)	(357,841)	(383,419)	(252,936)
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	1,044,733	1,030,889	1,610,962	1,893,470
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	9,349,630	14,859,995	10,217,221	7,596,287

\*\*\*\*\*  
**DESCRIPTION OF SECURED DEBT** *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Note Payable to Master Trust	\$145,344,961	0.00	03/06/1991	12/31/50	40 Years

\*\*\*\*\*  
**FINANCIAL RATIOS** (see next page for ratio formulas)

	2013 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2013	2014	2015
<b>DEBT TO ASSET RATIO</b>		0%	0%	0%
<b>OPERATING RATIO</b>		94.7%	92.1%	91.2%
<b>DEBT SERVICE COVERAGE RATIO</b>		0	0	0
<b>DAYS CASH ON HAND RATIO</b>		303.68	287.44	241.84

\*\*\*\*\*  
**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	\$2,527	2.8	\$2,593	3.0	\$2,676	3.6	\$2,772
ONE BEDROOM	\$3,124	2.8	\$3,211	3.0	\$3,307	3.6	\$3,426
TWO BEDROOM	\$3,920	2.8	\$4,030	3.0	\$4,151	3.6	\$4,300
COTTAGE/HOUSE	\$4,793	2.8	\$4,927	3.0	\$5,075	3.6	\$5,258
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

\*\*\*\*\*  
**COMMENTS FROM PROVIDER:** > Morningside of Fullerton Master Trust has a priority first deed of trust against Morningside of Fullerton, which provides  
> the residents collateral protection. The \$145,344,961 recorded on the books as a Note Payable to the Master Trust is repayable to the residents or their estates  
> upon termination of their contracts and resale of their units, per the contracts.

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

**OPERATING RATIO**

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

**DEBT SERVICE COVERAGE RATIO**

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

**DAYS CASH ON HAND RATIO**

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

**NOTE:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,699 – \$5,699</u>	<u>N/A</u>	<u>N/A</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.6%</u>	<u>N/A</u>	<u>N/A</u>

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: January 1, 2015  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** CoreCare III  
**COMMUNITY:** Morningside of Fullerton

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**  
**Supporting Explanation for Line 5**

The first person and second person monthly fees increased 3.6% effective 1-1-2015. Morningside (CoreCare III) purchases health care, when needed, from Park Vista (CoreCare V). As the permanently assigned residents continue to pay their usual independent living monthly service fee to Morningside, the percentage of increase and revenues are combined in the residential living column.

The service fee increases were based on projected increases in the operating expenses, which include the expected increase in use of purchased health care by the residents. The percentage of monthly service increases is determined through the annual budget process.

**PROVIDER:** CoreCare III  
**COMMUNITY:** Morningside of Fullerton

Report BS001C  
Number 002

BALANCE SHEET - DETAIL (TAX)  
UNAUDITED  
010 Morningside SP Assoc, IncCo854  
December 31, 2015

FISCAL 100 %  
C12 115 (01..12)

		Current	Prior
		**Actual**	**Actual**
ASSETS			
1000	Intercompany Cash	6,835.88	7,711.88
1	CASH	6,835.88	7,711.88
1300	Investments in Affiliates (E)	386,161.18-	351,449.22-
8	Other Corporate Investments	386,161.18-	351,449.22-
8	OTHER CORPORATE INVESTMENTS	386,161.18-	351,449.22-
TOTAL ASSETS			
		379,325.30-	343,737.34-

LIABILITIES & CAPITAL

3020	Retained Earnings	406,387.34	343,737.34
3300	Year-To-Date Closing Account	0.00	21,552.15
----	Retained Earnings	27,062.04-	21,552.15-
21	PARTNERS' CAPITAL ACCOUNTS	379,325.30	343,737.34
TOTAL LIABILITIES & CAPITAL			
		379,325.30	343,737.34

TOTAL Morningside SP Assoc, IncCo854

0.00

0.00

Certified by:

  
Angelika Tolu, CPA  
Controller

Report INCIAXC  
Number 002

STATEMENT OF INCOME - DETAIL (TAX)


UNAUDITED

010 Morningside SP Assoc, IncC0854  
Twelve Months Ending December 31, 2015

FISCAL 100 %  
C12 115 (01..12)

	**Actual**	Quarter to Date	Variance	**Actual**	Year to Date	Variance	Annual	Year to Date Last Year
RENTAL REAL ESTATE EXPENSES								
8710 State Income Ta	0.00	0.00	0.00	800.00	0.00	800.00	0.00	800.00
11 TAXES	0.00	0.00	0.00	800.00	0.00	800.00	0.00	800.00
15 OTHER EXPENSES								
8520 License & Permi	0.00	0.00	0.00	51.00	0.00	51.00	0.00	51.00
8540 Other Filing Fe	0.00	0.00	0.00	25.00	0.00	25.00	0.00	25.00
Fees & Permits	0.00	0.00	0.00	76.00	0.00	76.00	0.00	76.00
15 OTHER EXPENSES	0.00	0.00	0.00	76.00	0.00	76.00	0.00	76.00
TOTAL RENTAL REAL ESTATE EXPENS	0.00	0.00	0.00	876.00	0.00	876.00	0.00	876.00
21 INCOME/(LOSS) FROM RENTAL	0.00	0.00	0.00	876.00	0.00	876.00	0.00	876.00
20a Inc/(Loss) From K-1's								
4530 Incm/Loss frm A	27,938.04-	0.00	27,938.04-	27,938.04-	0.00	27,938.04-	0.00	22,428.15-
20a INC/(LOSS) FROM K-1's	27,938.04-	0.00	27,938.04-	27,938.04-	0.00	27,938.04-	0.00	22,428.15-
20a Inc/(Loss) From K-1's	27,938.04-	0.00	27,938.04-	27,938.04-	0.00	27,938.04-	0.00	22,428.15-
TOTAL Morningside SP Assoc, Inc	27,938.04-	0.00	27,938.04-	27,062.04-	0.00	27,062.04-	0.00	21,552.15-

Certified by:

  
Angeika Tolu, CPA  
Controller

# KEY INDICATORS REPORT

Date Prepared: 3/25/2016

CoreCare III dba Morningside of Fullerton

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Chief Executive Officer Signature

summarizes significant trends or variances in the key operational indicators.

	Forecast										Trend Indicator
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	93.00%	93.30%	96.80%	98.53%	96.70%	96.94%	98.00%	98.00%	98.00%	98.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	10.59%	8.84%	7.22%	9.65%	10.05%	10.49%	10.92%	11.35%	11.78%	12.20%	↑
3. Net Operating Margin - Adjusted (%)	36.53%	40.07%	47.67%	39.55%	33.65%	32.02%	31.79%	31.58%	31.38%	31.19%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$12,603	\$10,331	\$14,839	\$14,699	\$12,726	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	↑
5. Days Cash on Hand (Unrestricted)	300.9	230.5	303.7	287.4	241.84	202.95	197.03	191.3	185.73	180.31	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$2,866	\$3,106	\$3,391	\$3,643	\$3,713	\$3,899	\$4,094	\$4,298	\$4,513	\$4,739	N/A
7. Net Annual E/F proceeds (\$000)	\$6,986	\$9,349	\$14,860	\$10,217	\$7,596	\$7,845	\$9,000	\$9,500	\$10,000	\$10,000	N/A
8. Unrestricted Net Assets (\$000)	\$66,036	\$64,546	\$70,012	\$72,999	\$72,082	\$74,000	\$75,000	\$76,000	\$76,000	\$77,000	N/A
9. Annual Capital Asset Expenditure (\$000)	\$1,520	\$1,223	\$1,299	\$2,478	\$1,036	\$2,000	\$1,500	\$800	\$800	\$800	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↑
11. Annual Debt Service Coverage (x)	0	0	0	0	0	0.00	0	0	0	0	↑
12. Annual Debt Service/Revenue (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
13. Average Annual Effective Interest Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	11.11%	8.63%	11.31%	10.67%	8.98%	7.86%	7.86%	7.86%	7.86%	7.86%	↑
15. Average Age of Facility (years)	18.85	18.84	19.29	19.86	19.6	21.02	22.02	23.02	24.02	25.02	↓

**RECEIVED**  
APR 29 2016  
NIA  
CONTINUING CARE  
CONTRACTS BRANCH